

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THIRD QUARTER ENDED****30 SEPTEMBER 2008**

(The figures have not been audited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2008 RM'000	Preceding Year Corresponding Quarter 30 September 2007 RM'000	Current Year To Date 30 September 2008 RM'000	Preceding Year Corresponding Period 30 September 2007 RM'000
Revenue	13,374	9,555	31,882	21,824
Other operating income	95	216	464	586
Operating expenses	(12,120)	(9,246)	(29,773)	(22,956)
Profit from operations	1,349	525	2,573	(546)
Finance costs	(100)	(147)	(351)	(423)
Share of profit/ (loss) of an associate	13	3	15	5
Profit/ (Loss) before taxation	1,262	381	2,237	(964)
Taxation	(197)	-	(717)	-
Profit/ (Loss) after taxation	1,065	381	1,520	(964)
Attributable to:				
Equity Holders of The Parent	839	99	1,290	(984)
Minority Interest	226	282	230	20
	1,065	381	1,520	(964)
Profit/ (Loss) per share (sen)				
Basic (note B13)	0.88	0.10	1.36	(1.04)
Diluted (note B13)	0.88	0.10	1.36	(1.04)

(The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2008**

	Unaudited As At 30 September 2008 RM'000	Audited As At 31 December 2007 RM'000
ASSETS		
Non-current assets		
Investment in an associate	165	150
Property, plant and equipment	9,006	9,563
Goodwill on consolidation	269	269
Other intangible assets	904	1,312
Deferred tax assets	3	3
	10,347	11,297
Current assets		
Inventories	5,360	4,294
Trade receivables	15,512	10,718
Other receivables, deposits and prepayments	1,097	1,056
Tax recoverable	193	847
Marketable securities	109	107
Fixed deposits	74	73
Cash and bank balances	1,926	1,631
	24,271	18,726
TOTAL ASSETS	34,618	30,023
EQUITY AND LIABILITIES		
Equity		
Share capital	9,493	9,493
Share premium	3,538	3,538
Exchange translation reserve	140	(97)
Retained profits/ (Accumulated losses)	926	(364)
Equity attributable to equity holders of the parent	14,097	12,570
MINORITY INTERESTS	2,289	1,843
TOTAL EQUITY	16,386	14,413
Non-current liabilities		
Hire purchase payables	273	464
Bank borrowings	1,192	1,489
Deferred taxation	830	118
	2,295	2,071
Current liabilities		
Trade payables	8,962	6,269
Other payables and accruals	2,179	1,401
Hire purchase payables	237	335
Bank borrowings	4,440	4,497
Bank overdrafts	119	1,037
	15,937	13,539
TOTAL LIABILITIES	18,232	15,610
TOTAL EQUITY AND LIABILITIES	34,618	30,023
Net assets per ordinary share attributable to equity holders of the parent (RM)	0.15	0.13

(The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements)

SERSOL TECHNOLOGIES BERHADCompany No. 602062-X
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED
30 SEPTEMBER 2008**

(The figures have not been audited)

	Current Year To Date 30 September 2008 RM'000	Preceding Year Corresponding Period 30 September 2007 RM'000
CASH FLOWS FROM / (FOR) OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	2,237	(964)
Adjustments for:-		
Non-cash items	1,413	1,252
Non-operating items	242	336
Operating profit / (loss) before changes in working capital	3,892	624
Net changes in current assets	(5,943)	(3,510)
Net changes in development expenditure	(24)	(210)
Net changes in current liabilities	4,176	447
CASH FROM / (FOR) OPERATIONS	2,101	(2,649)
Interest paid	(305)	(363)
Tax paid	(56)	(20)
NET CASH FROM / (FOR) OPERATING ACTIVITIES	1,740	(3,032)
NET CASH FROM / (FOR) INVESTING ACTIVITIES		
Interest received	8	27
Proceeds from disposal of plant & equipments	138	163
Proceed from disposal of quoted investment	-	202
Purchase of quoted investment	-	(190)
Purchase of plant and equipments	(401)	(478)
NET CASH FROM / (FOR) INVESTING ACTIVITIES	(255)	(276)
CASH FLOWS FROM / (FOR) FINANCING ACTIVITIES		
Net (repayment) / drawdown of other short-term bank borrowings	150	797
Proceed received from issuance of share capital		411
Repayments of hire purchase	(323)	(250)
Repayments of term loans	(567)	(706)
NET CASH FROM / (FOR) FINANCING ACTIVITIES	(740)	252
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	745	(3,056)
EXCHANGE DIFFERENCES	468	(76)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	668	2,275
CASH AND CASH EQUIVALENTS AT END OF PERIOD*	1,881	(857)

* Cash and cash equivalents included in the cashflow statements comprise of the following:

	RM'000	RM'000
Fixed deposits	74	41
Cash and bank balances	1,926	782
Bank overdraft	(119)	(1,680)
	<u>1,881</u>	<u>(857)</u>

(The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED

30 SEPTEMBER 2008

(The figures have not been audited)

	Attributable to Equity Holders of the Parent Company				Total	Minority Interest	Total Equity
	Non - distributable		Exchange	Distributable Retained Profit/			
	Share capital	Share premium	Translation reserve	(Accumulated losses)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2008	9,493	3,538	(97)	(364)	12,570	1,843	14,413
Profit for the period	-	-	-	1,290	1,290	230	1,520
Exchange translation differences	-	-	237	-	237	216	453
As at 30 September 2008	9,493	3,538	140	926	14,097	2,289	16,386
As at 1 January 2007	9,493	3,538	(30)	(38)	12,963	700	13,663
Loss for the period	-	-	-	(984)	(984)	20	(964)
Exchange translation differences	-	-	(26)	-	(26)	49	23
Issuance of share capital to minority shareholders	-	-	-	-	-	411	411
As at 30 September 2007	9,493	3,538	(56)	(1,022)	11,953	1,180	13,133

(The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and accompanying explanatory notes attached to the interim financial statements.)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the third quarter ended 30 September 2008 have been prepared in accordance with Financial Reporting Standards (FRS) No. 134 -Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for the MESDAQ Market (MMLR). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.

The accounting policies and methods of computation adopted in these interim financial statements of the Group are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2007 except for the adoption of the following new and revised FRS issued by MASB that are effective for the financial period beginning on 1 January 2008:

FRS 107 - Cash Flow Statements

FRS 112 - Income Taxes

FRS 118 - Revenue

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121 – The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation.

The adoption of the above revised FRSs and amendments to FRS does not have any significant financial impact to the Group.

A2. Seasonality or Cyclical Factors

The Group's interim operations for the quarter under review and financial period-to-date were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

During the quarter under review and financial period-to-date, there were no items affecting assets, liabilities, equity, net income or cash flows of the Group that are unusual because of their nature, size or incidence.

A4. Material Change in Estimates

There were no changes in estimates amount reported as at to date that would have a material effect on the results for the current quarter under review and financial period-to-date.

A5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

During the quarter under review and financial period-to-date, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

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A6. Dividend Paid

There was no dividend paid during the quarter under review and financial period-to-date.

A7. Segmental Reporting

Segmental reporting of the Group's result for the financial period-to-date is as follows:

By Geographical Segment:-

	People's Republic of		Others	Eliminations	Consolidated
	Malaysia	China and Hong Kong			
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
-Sales to external customers	18,172	8,327	5,383	-	31,882
-Inter-segment sales	4,887	-	-	(4,887)	-
Total revenue	23,059	8,327	5,383	-4,887	31,882
Segments results	2,082	696	-492	287	2,573
Finance costs	-	-	-	-	-351
Share of profit of an associates	-	-	-	-	15
Profit before tax					2,237
Segment assets	26,234	8,033	5,146	-5,196	34,257
Investment in associates	-	-	-	-	165
Income tax assets					196
Total Assets					34,618
Segment liabilities	8,431	3,679	4,283	(5,252)	11,141
Interest bearing - borrowings					6,261
Income tax liabilities					830
Total liabilities					18,232
Other segment information					
Capital expenditure	251	175	69	-	495
Depreciation of property, plant and equipment	760	48	110	-	918

There is no disclosure of business segment information as required by FRS 114 Segment Reporting, as the Group operates principally within one industry.

A8. Material Events Subsequent to the End of the Quarter Under Review

There was no material event subsequent to the end of the quarter under review that has not been reflected in the interim financial statement.

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review and financial period-to-date.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

B1. Review of Group's Results for the Current Quarter and Financial Period-to-Date Ended 30 September 2008

For the current quarter under review, the Sersol Group recorded an increase in its Group revenue by RM3.819 million to RM13.374 million, representing an increase of approximately 39.97% as compared to the corresponding financial period ended 30 September 2007. Consequently, the Group achieved a profit after taxation of RM1.065 million for the current quarter ended 30 September 2008 compared to the profit after taxation of RM0.381 million for the corresponding financial period ended 30 September 2007.

For the financial period-to-date, the Group recorded an increase in its Group revenue of RM10.058 million to RM31.882 million, representing an increase of approximately 46.09% as compared to the preceding year's corresponding period ended 30 September 2007. Consequently, the Group achieved a profit after taxation of RM1.52 million for the current period-to-date as compared to the loss after taxation of RM0.964 million for the corresponding financial period ended 30 September 2007.

The improvement in revenue and profit was mainly due to the increase in sales by its subsidiary companies.

B2. Variation of Results For the Current Quarter Ended 30 September 2008 against Immediate Preceding Quarter

During the current quarter ended 30 September 2008, the Group recorded an increase in its Group revenue of RM2.949 million to RM13.374 million, representing an increase of approximately 28.29% as compared to the immediate preceding quarter ended 30 June 2008. The Group recorded a profit after taxation of RM1.065 million in the current quarter ended 30 September 2008, as compared to a profit after taxation of RM0.317 million in the previous quarter ended 30 June 2008. The higher profit after taxation was mainly due to the increase in sales by its subsidiary companies.

B3. Current Year's Prospects for 2008

The Board of Directors of Sersol ("the Board") expects that the Sersol Group's operating units will record further positive improvement in the last quarter of the year 2008. The Group's financial performance is expected to remain favourable for the financial year ending 2008, after taking into consideration of the Group's efforts in producing and promoting high end products, coupled with its continuous efforts in cost management.

The prevailing global economic slowdown may have some impact on the Group's prospects for the financial year ending 2008. However, the Sersol Group has implemented adequate measures to mitigate such impact.

B4. Variance of Profit Forecast

Not applicable as no profit forecast has been issued.

B5. Tax Expense

Taxation comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
In respect of the current period:-				
Taxation	5	-	5	-
Deferred taxation	141	-	661	-
	<u>146</u>	<u>-</u>	<u>666</u>	<u>-</u>
Under provision in previous financial years:-				
Taxation	-	-	-	-
Deferred taxation	51	-	51	-
	<u>51</u>	<u>-</u>	<u>51</u>	<u>-</u>
Total	<u>197</u>	<u>-</u>	<u>717</u>	<u>-</u>

The effective tax rate for current quarter is lower than the statutory tax rate is due to some tax incentives enjoyed by some subsidiaries. However, the effective tax rate for current financial period-to-date is higher than the statutory tax rate as there is no group relief available to set off losses incurred by foreign subsidiaries against the taxable profit of other subsidiary.

B6. Profit on Sale of Unquoted Investments and Properties

There was no disposal of unquoted investments and properties during the quarter under review.

B7. Purchase and Disposal of Quoted and Marketable Securities

- (i) The dealings in quoted marketable securities for the quarter under review and current financial period-to-date ended 30 September 2008 are as follows:-

	Quarter under review RM'000	Financial period-to-date RM'000
Total purchase at cost	-	-
Total disposal	-	-

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Total gain / (loss) on disposal	-	-
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- (ii) The details of the investments in marketable securities as at 30 September 2008 are set out below:-

	RM'000
Total investment at cost	100
Total investment at carrying value	109
Total investment at market value	109

B8. Status of Corporate Proposal Announced

- i) There were no corporate proposals announced but not completed as at the date of issue of this report.
- ii) There was no corporate proposal undertaken to raise any proceeds during the quarter under review and financial period-to-date.

B9. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia, as at the end of the quarter under review are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term Borrowings			
Term Loans	285	201	486
Trade Financing	2,384	1,570	3,954
Bank overdraft	-	119	119
Hire Purchase Payables	237	-	237
	<u>2,906</u>	<u>1,890</u>	<u>4,796</u>
Long Term Borrowings			
Term Loans	807	385	1,192
Hire Purchase Payables	273	-	273
	<u>1,080</u>	<u>385</u>	<u>1,465</u>
Total	<u><u>3,986</u></u>	<u><u>2,275</u></u>	<u><u>6,261</u></u>

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of issue of this report.

B11. Changes in Material Litigation Since the Last Annual Balance Sheet Date

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Save as disclosed below, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of issue of this report.

- (i) The status of the legal claim against Polycure Coating (M) Sdn Bhd and Tan Soon Chew for a sum of RM165,423.39 together with interests and costs, being the outstanding sum overdue for the supply of goods is as follows:
- (a) Multi Square Sdn Bhd (MSSB) had on 1 August 2006 obtained a court order to wind up Polycure Coating (M) Sdn Bhd. The Official Receiver has been appointed the liquidator of the company.
- (b) MSSB's solicitors, Messrs. Ang & Co had on 28 November 2006 obtained Receiving and Adjudication Order against Tan Soon Chew and Messrs. Ang & Co had on 18 January 2007 filed the Proof of Debts with the Insolvency Department.
- (ii) For the legal claim against Real Bonus Sdn Bhd for a sum of RM107,229.80 together with legal cost, being the outstanding amount overdue for the supply of goods, the company was wound up by the Court on 25 February 2008. The Official Receiver has been appointed the liquidator of the company.

A provision of the said outstanding amount overdue was made in the financial statement for the financial year ended 2006. The provision is not expected to affect materially on the financial position or business of the Group.

There were no other changes in material litigation, including the status of pending material litigation since the date of issue of last report.

B12. Dividend Proposed

No dividend has been proposed during the quarter under review.

B13. Earnings / (Loss) Per Share**Basic earnings / (loss) per share**

	Current quarter ended		Cumulative quarter ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
Net Profit/(loss) attributed to equity holder of the parent for the period	839	99	1,290	(984)
Number of shares in issue ('000)	94,931	94,931	94,931	94,931
Basic profit /	0.88	0.10	1.36	(1.04)

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(loss) / earnings
per share (sen)

Diluted earnings / (loss) per share

Diluted profit / (loss) per share is equal to the basic profit / (loss) per share as there were no potential ordinary shares outstanding in both the previous and current financial period.

B14. Auditor's Report of Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2007 was not qualified.